

MINUTES OF THE
HIGHER EDUCATION APPROPRIATIONS SUBCOMMITTEE
THURSDAY, JANUARY 27, 2005, 2:00 P.M.
Room W020, West Office Building, State Capitol Complex

Members Present: Sen. Greg Bell, Co-Chair
Rep. Kory M. Holdaway, Co-Chair
Sen. Carlene Walker
Sen. Ron Allen
Rep. Sheryl Allen
Rep. Bradley Daw
Rep. Margaret Dayton
Rep. Gregory H. Hughes
Rep. Susan Lawrence
Rep. Scott L. Wyatt
Rep. Patricia W. Jones
Rep. Carol Spackman Moss
Rep. LaWanna "Lou" Shurtliff

Members Excused: Sen. Peter Knudson
Sen. Dan Eastman

Members Absent: Rep. David Clark

Staff Present: Boyd A. Garriott, Senior Legislative Fiscal Analyst
Debra Headden, Legislative Fiscal Analyst
Rolayne Day, Secretary

Public Speakers Present: Pres. Ryan Thomas, CEU
Pres. Ann Millner, WSU
Pres. Steven Bennion, SUU
Pres. Michael Benson, Snow
Pres. William Sederburg, UVSC
David Sorenson, Manufacturing Extension Partnership
Commissioner Richard Kendell
Happiness Peterson, Utah Student Association
Carrie Flamm, Utah Student Association
Kody Jones, Utah Student Association

A list of visitors and a copy of handouts are filed with the committee minutes.

Committee Co-Chair Holdaway called the meeting to order at 2:12 p.m.

1. Committee Business—Continued Discussion on Economic Development—Pres. Ryan Thomas said CEU does applied research related to the CEU service area. A handout was distributed with information about the Energy Training Center that is industry specific and industry driven. CEU has partnerships with companies in several Western states and Canada. CEU has been able to capture \$8 million in private donations but needs State funding of \$225,000 to receive a federal grant from the Department of Energy.

MOTION: Rep. Dayton moved to fund \$225,000 for economic development at CEU.

The motion passed unanimously with Reps. Hughes and Wyatt absent for the vote.

MOTION: Rep. Allen moved to restore \$50,000 for Range Creek.

The motion passed unanimously with Reps. Hughes and Wyatt absent for the vote.

Pres. Ann Millner said WSU supports existing businesses and helps new businesses get started. She distributed a handout with information on the Small Business Development Center, the Procurement Technical Assistance Center, and the Utah Center of Excellence for Chemical Technology. In addition, Weber's Continuing Education provides professional development and on-site training to keep manufacturers competitive.

Pres. Miller discussed educational needs at Hill Air Force Base (HAFB) at \$775,500 that are critical because Hill contributes over \$1 billion annually to Utah's economy. Weber would like to start an economic development center to help grow the economy in the Ogden area. In addition, they would like to start two Technology Innovation Center Programs: an Applied Research and Assistance Program (\$355,000 annually that would help small and mid-size businesses join the ranks of world-class manufacturers by becoming more productive, profitable and competitive) and the WSU Business Start-Up Center (\$272,000 annually to work closely with venture capitalists in Northern Utah to promote the success of new enterprises by focusing on generating, refining and screening business plans and concepts).

MOTION: Rep. Allen moved that Weber's request of \$775,500 for HAFB, \$355,000 for the Applied Research and Assistance Program, and \$272,000 for the WSU Business Start-Up Center be put on the Higher Education Wish List for final deliberations.

SUBSTITUTE MOTION: Sen. Walker moved to put the WSU requests on the Wish List as separate items.

The motion passed unanimously with Reps. Clark and Hughes absent for the vote.

Pres. Steven Bennion, SUU, said Iron County is growing; last year there were 324 new business licenses in Cedar City. Pres. Bennion discussed a handout showing how much the Utah Shakespearean Festival and the Utah Summer Games brings into the area's economy. The Smart Site Initiative has provided over 1,100 new jobs over the past three to four years; SUU was instrumental in reviving an Escalante Sawmill that saved 100 jobs; they established a Stewardship Center for Small, Rural Business; and are working extensively with international experts to develop the economic production of ethanol from wood products. SUU has also started an integrated engineering program for small to medium size manufacturing companies. Pres. Bennion noted that there are 112,000 Utahns employed in manufacturing in 4,000 companies in Utah; two-thirds of them are small businesses. A lot of the economic development effort over the last decade has come from small companies who make a huge contribution and should not be left out of the economic development plan.

Pres. Judd Morgan, SLCC, drew attention to a handout listing companies that SLCC has worked with over the last two years. He also discussed the Miller Innovation Center and the ten companies going through the growth process.

Pres. Michael Benson said Snow College wholeheartedly supports the Economic Development Initiative with the UU and USU because 70% of Snow's students transfer and they could go to institutions with better facilities. Sanpete County is out of the way, so Snow College is the epicenter of sports, culture, and intellectual pursuit. Snow is 95% residential but has few dormitories; there is a large market for rentals in the area that contribute to the economy. Many students are bi-lingual, so call center jobs are popular.

Pres. William Sederburg said UVSC facilitates economic development through the Manufacturing Extension Partnership (MEP), the Small Business Development Center (SBDC), entrepreneurial education in the School of Business, and workforce development in the School of Technology, Trades and Industry. UVSC supports the Economic Development Initiative for the research institutions. Pres. Sederburg said that \$400 million sounds like a lot of money, but isn't if Utah is going to be competitive. The core economic development activity for any plan must be education of the population, so Utah needs to reverse the current trend and increase the number of baccalaureate degrees.

Dave Sorenson, MEP, said manufacturing representatives throughout the state are working with higher educational institutions. Manufacturing is the highest payroll sector that pays 123% of the average jobs in Utah. Smaller companies don't usually get access to technologies that are maturing at the research institutions, yet they employ over two-thirds of the manufacturing workforce. Mr. Sorenson urged the Subcommittee to think about how to better match Utah's 3,500 smaller companies with the available technology. He noted that big companies come in and out of the

State and can contract for work off shore, but smaller companies grow up here, stay here, and pay a lot of taxes; they should be taken care of.

Commissioner Kendell again stressed that economic development presentations are separate and below the Regents' budget request that is a consensus of all the presidents, the Commissioner's Office, and the Board of Regents.

2. Tuition Issues—Analyst Debbie Headden said tuition and fees are regarded as an additional source of revenue for higher education (dedicated credits) and are used to cover operating expenditures (Tab 3, Issue Brief 18 of the Budget Book). The Board of Regents has statutory responsibility to set tuition rates for the USHE and to make that recommendation in time to be included in the Appropriation Act; that has not yet been done.

The first-tier tuition is typically used to finance the compensation package. Over the last several years, the Board of Regents has also proposed a .5% increase on top of the amount for compensation to help campuses with need-based financial aid. Last year intent language was adopted that said first-tier tuition could only cover compensation; the Legislature then appropriated funding to cover the student aid equivalent. Second-tier tuition has been added at the discretion of the institutions over the last few years that allows institutions to fix tuition and fees to meet budgetary requirements. A handout was distributed showing how second-tier tuition increases were spent last year including salary and benefits, O&M, fuel and power, and unfunded growth.

Ms. Headden noted that the student debt load has increased because of tuition rate increases (page ii, Issue Brief 18). While there is concern about tuition increases, undergraduate tuition for the UU and USU is still relatively low compared to other WICHE states, and resident graduate tuition rates are still a good value. Undergraduate tuition at four-year colleges and universities is very low compared to other institutions around the country. Two-year college tuition is about average, but community college tuition is high.

3. Financial Aid—Ms. Headden said students receive aid from several campus-based federal financial aid programs including Supplemental Educational Opportunity Grants, the Federal Work-Study Program, the Federal Perkins Loans Program, and the Leverage Educational Assistance Partnership. State funded financial aid is also available in the form of the Utah Centennial Opportunity for Education Program (UCOPE), the New Century Scholarship, and the Engineering and Computer Science Loan Forgiveness Program. The USHE also oversees the Utah Student Loan Guarantee Program (LGP), the Utah State Board of Regents' Loan Purchase Program, the Utah Educational Savings Plan Trust, and the Utah Higher Education Tuition Assistance Program (non-state supported operation generating revenue from the programs it administers). Approximately 51% of Utah's students qualify for federal financial aid. Federal student aid programs often have a State matching requirement for program participation. Page ii of Issue Brief 4 contains a table showing the matches necessary for FY 2006. The Board of Regents requests a funding increase of \$1.5 million for UCOPE. A lot of students just barely don't qualify for federal financial aid and that is where UCOPE can help. The Analyst recommended a State match funding of \$861,800 (\$300,000 in on-going and \$561,800 in one-time) and UCOPE funding of \$1,109,000 in one-time money.

New Century Scholarship—The Legislature adopted this scholarship in 1999 that awards a two-year, up to 75 percent tuition scholarship for students who complete the requirements for an associate degree by the September after high school graduation. Students receiving this scholarship come from both urban and rural high schools. Rep. Moss said this puts a lot of pressure on students, and it isn't for everyone. The current appropriation is \$73,200, and it would require \$530,000 in new money to maintain the level of support for students now in the program. The Analyst recommends a one-time appropriation of \$530,000 for FY 2006 for the New Century Scholarship.

In addition to federal and State financial aid programs, each institutional president may waive all or part of the tuition for meritorious or impecunious resident and non-resident students to an amount not exceeding 10% of the total tuition collections. Ms. Headden distributed a handout showing where \$33.9 million was granted in tuition waivers across the system. Rep. Jones requested more information on the LGP. Ms. Headden recommended that the Regents' report include detailed information on the tuition waivers such as how many students it represents and the breakdown on each kind.

Commissioner Kendell said institutional presidents follow the Truth in Tuition laws on second-tier tuition disclosure. He e-mailed a four-year history of how second-tier tuition was spent to each Subcommittee member. It is vital that the New Century Scholarship must be moved from one-time to on-going funding.

Commissioner Kendell said an unintended consequence of increased compensation is an automatic tuition increase to cover part of the cost. The Regents would like to change the compensation formula so that 25% comes from tuition increases and 75% from the State plus .5% for need-based aid. They recommend a 3.18% tuition increase for a 2.5% COLA and a 3.56% tuition increase for a 3.0% COLA. If the Legislature took care of O&M, the presidents would feel better about going to students with a tuition increase that could be used for additional faculty, library acquisitions, computers, etc. The proposed method of determining compensation would save students over \$3 million (with a 2.5% compensation package). As tuition has gone up, loans and grants have gone up dramatically. The student's share of the cost of instruction has gone up systemwide from 26% in 2000 to 34% in 2005.

The Board of Regents went through various "what if" scenarios from no tuition increase to increases at various levels. If all budget requests are met, second-tier tuition will be modest; if they are not, the second-tier will be used to address the issues, and could be as high as 22%.

Sen. Bell said the subcommittees have been instructed by the Executive Appropriations Committee to work within base budgets even though there are new needs. The clear message was that budgets above the base will not do as well as those that start from zero, evaluate existing budgets, and prioritize those against the new initiatives. Leadership gave the commitment that they won't backdoor the subcommittees.

The T.H. Bell Scholarship and Americans with Disabilities will be heard at the next meeting.

4. Student Leaders—Kody Jones, Utah Student Association (USA), and WSU Studentbody President, introduced the studentbody presidents in attendance and the student Regent, Trent Kemp. Mr. Jones briefly discussed the students' goals as follows: Goal 1, Improved advisement—students feel this should not be funded by tuition; Goal 2, Increase funding for need-based financial aid—students feel this should be a State priority and not funded out of tuition increases; Goal 3, Funding for the Utah Academic Library Consortium at \$500,000; and Goal 4, Voting improvements—although not budgetary, it is a long-term student goal.

Carrie Flamm, USA Executive Director, said students are concerned about input, throughput, and output in higher education. Every advising center is in need of additional advisors for guidance, retention, and graduation in a reasonable time frame. Happiness Peterson, USA, said advising concerns everyone but it has been overlooked in State funding. Sen. Bell said graduation time is not only a function of advisement, but of increased base requirements and a reduced number of class sections as well.

Mr. Jones said students don't want to compete with institutional priorities, but feel their goals should be funded in addition. Ms. Peterson said more money is needed for trained advisors and to promote advising services.

MOTION: Rep. Dayton moved to adjourn.

Committee Co-Chair Holdaway adjourned the meeting at 5:06 p.m.

Minutes were reported by Rolayne Day, Secretary.

Sen. Greg Bell, Committee Co-Chair

Rep. Kory M. Holdaway, Committee Co-Chair